BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 98-452-G - ORDER NO. 1999-83

FEBRUARY 8, 1999

IN RE: Request of Piedmont Natural Gas Company, Inc. for Approval of an Economic Development Rider.	))))	ORDER APPROVING ECONOMIC DEVELOPMENT RIDER TARIFF

This matter comes before the Public Service Commission of South Carolina ("Commission") on the filing of Piedmont Natural Gas Company, Inc. ("Piedmont") requesting approval of a new Economic Development Rider tariff and form contract. The proposed tariff provides a three-year declining discount to qualifying customers that add new or additional loads in excess of 50,000 Mcf per year under Piedmont's Rate Schedules 203, 204, 213, or 214. The discount is calculated as a percentage of the non-gas margin of each respective Rate Schedule.

The filing was duly noticed to the public and a Petition to Intervene was filed on behalf of the Consumer Advocate of South Carolina ("Consumer Advocate"). Thereafter, a public hearing was held on January 20, 1999, at 10:30 a.m. in the Commission's hearing room. The Honorable Philip T. Bradley, Chairman, presided. Piedmont was represented by Kevin A. Hall, Esquire; the Consumer Advocate was represented by Elliott F. Elam, Jr., Esquire; and the Commission Staff was represented by Florence P. Belser, Staff Counsel. David R. Carpenter, Manager of Regulatory Projects for Piedmont, testified on behalf of Piedmont, and Brent L. Sires, Utilities Rate Analyst with the Commission's Utilities Department, testified on behalf of the Commission Staff.

Mr. Carpenter testified that Piedmont's Economic Development Rider provides a three-year declining discount to qualifying industrial customers that add new or separately metered loads in excess of 50,000 Mcf per year under Piedmont's Rate Schedules 203, 204, 213, and 214. According to Mr. Carpenter, the discount is calculated as a percentage of the non-gas margin of each respective Rate Schedule with the first year discount set at 45 percent, the second year discount set at 25 percent, and the third year discount set at 15 percent. Mr. Carpenter stated that the Rider will serve as a tool to attract new or increased industrial natural gas load in Piedmont's South Carolina service area and further stated that the discounts are intended to encourage or facilitate the construction of new manufacturing plants or the addition of new industrial facilities at existing plants within Piedmont's service area.

Mr. Carpenter offered several benefits from new construction projects and increase in natural gas load associated with such projects including: (1) additional manufacturing load encouraged by this Rider would provide a broader base over which to spread Piedmont's fixed costs; (2) the addition of new industrial load should improve Piedmont's load profile because industrial process gas use is typically year round in nature; (3) the addition of new significant loads will also reduce the relative share of Piedmont's cost of service currently paid by existing customers; (4) new industrial load will create new job opportunities and economic growth in the areas where the construction occurs; and (5) the addition of new manufacturing facilities will increase the tax base of the state of South Carolina and the area where the new facilities are constructed. Mr. Carpenter also stated that the Rider will have no negative impact on ratepayers, as the discounted margin associated with service under the Rider will be from new incremental business. Additionally, Mr. Carpenter testified that Piedmont does not believe that the Rider will have any impact on competition other than the competition for placement of new industrial facilities.

Mr. Carpenter also testified that this Rider will come at no cost to Piedmont's existing rate payers as Piedmont is not seeking recovery of the discounted margin. Upon questioning by the Consumer Advocate, Mr. Carpenter stated that Piedmont would have detailed records which would allow the Company to track the discounted margin.

Mr. Sires testified that the Commission Staff has no opposition to approval of Piedmont's proposed Economic Development Rider. On behalf of the Commission Staff, Mr. Sires recommended that the Commission provide that the amount of non-gas margin lost or unrealized from sales under this proposed Rider resulting from the declining three-year discount not be recognized in Piedmont's Deferred Cost of Gas Account 253.04

FINDINGS OF FACT

Based upon the record before the Commission, the Commission makes the following Findings of Fact:

1. Piedmont's proposed Economic Development Rider provides for a declining three-year discount to qualifying industrial customers that add new or separately metered loads in excess of 50,000 Mcf per year under Piedmont's Rate Schedules 203, 204, 213, and 214.

2. The discount is calculated as a percentage of non-gas margin of each respective Rate Schedule with a first year discount of 45 percent, a second year discount of 25 percent, and a third year discount of 15 percent.

3. The Economic Development Rider is intended to serve as a tool to attract new or increased industrial natural gas load within Piedmont's service area by encouraging the construction of new manufacturing plants or the addition of new industrial facilities at existing plants.

4. The discounted margin associated with service under the Economic Development Rider will be from new incremental business, and Piedmont is not seeking recovery of the discounted margin.

CONCLUSIONS OF LAW

Based upon the above-stated Findings of Fact and the record before the Commission, the Commission makes the following Conclusions of Law:

1. Approval of Piedmont's Economic Development Rider is in the public interest as the Economic Development Rider is a tool to attract or encourage new of increased industrial natural gas load within Piedmont's service area.

2. Piedmont has stated that the discounted margin associated with service under the Rider will be from new incremental business, and Piedmont has further stated that it is not seeking recovery from the discounted margin. The Commission therefore concludes that the Economic Development Rider will have no negative impact on Piedmont ratepayers. As the Economic Development Rider will have no adverse or

negative impact of Piedmont's ratepayers, the Commission concludes that approval of the Economic Development Rider is reasonable and in the public interest.

3. As Piedmont has stated that it is not seeking recovery of the discounted margin, the Commission concludes that Staff's recommendation that any unrealized non-gas margin from sales under the Economic Development Rider due to from the declining three-year discount not be recognized in Piedmont's Deferred Cost of Gas Account 253.04 should be adopted.

IT IS THEREFORE ORDERED THAT:

1. The Economic Development Rider and form contract proposed by Piedmont is hereby approved.

2. Staff's recommendation that any unrealized non-gas margin from sales under the Economic Development Rider resulting from the declining three-year discount not be recognized in Piedmont's Deferred Cost of Gas Account 253.04 is adopted.

3. Piedmont shall keep and maintain such records as will allow for the calculation to show the impact on revenues that offering this tariff may have.

4. The Commission will hold in abeyance any determination of ratemaking treatment regarding this tariff until such time as a rate proceeding or other appropriate review is held. At the time of such a review, the Commission will examine the impact of the tariff on the Company's revenues, expenses, and investment and make a determination as to the appropriate ratemaking treatment to be afforded.

5. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Philip T. Bradley
Chairman

ATTEST:

Gary E. Walsh
Executive Director

(SEAL)